

SOUTH CENTRAL LABORERS
TRAINING AND APPRENTICESHIP FUND

MAY 31, 2008

LIVONIA, LOUISIANA

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/3/10

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October 19, 2009

Independent Auditor's Report

Board of Trustees
South Central Laborers Training
and Apprenticeship Fund
Livonia, Louisiana

We have audited the accompanying Statement of Assets, Liabilities, and Net Assets of South Central Laborers Training and Apprenticeship Fund as of May 31, 2008, and the related Statements of - Revenue, Expenses and Changes in Net Assets, and Cash Flows on the modified cash basis of accounting for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Assets, Liabilities and Net Assets arising from cash transactions of South Central Laborers Training and Apprenticeship Fund as of May 31, 2008, and its revenues collected, expenses paid and changes in net assets, and cash flows for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, on our consideration of South Central Laborers Training and Apprenticeship Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or

on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Fund taken as a whole. The accompanying Schedule of Expenditures of Federal Awards-Modified Cash Basis is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of South Central Laborers Training and Apprenticeship Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

Hannis T. Bourgeois, LLP

SOUTH CENTRAL LABORERS TRAINING AND APPRENTICESHIP FUND

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS- MODIFIED CASH BASIS

AS OF MAY 31, 2008

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 694,594
Certificates of Deposit	490,000
Investments	186,697
Receivables	465,573
Prepaid Expenses	762
Total Current Assets	<u>1,837,626</u>

Property and Equipment:

Buildings and Improvements	1,527,988
Vehicles	420,124
Furniture and Equipment	337,702
	<u>2,285,814</u>
Less: Accumulated Depreciation	<u>(1,538,455)</u>
	747,359
Land	112,994
Total Property and Equipment	<u>860,353</u>
Total Assets	<u><u>\$ 2,697,979</u></u>

LIABILITIES AND NET ASSETS

Net Assets:

Unrestricted	<u>\$ 2,697,979</u>
Total Liabilities and Net Assets	<u><u>\$ 2,697,979</u></u>

The accompanying notes are an integral part of this statement.

SOUTH CENTRAL LABORERS TRAINING AND APPRENTICESHIP FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS- MODIFIED CASH BASIS

FOR THE YEAR ENDED MAY 31, 2008

Revenues:

Contractor Contributions	\$ 1,438,367
Governmental Grant Revenue	485,844
Royalties from Mineral Rights	168,933
Investment Income	73,793
Halt Transfers	18,097
Rental Income	5,740
Gain on Sale of Property and Equipment	1,618
Net Realized and Unrealized Gain (Loss) on Investments	(7,012)
Other Income	921
	<hr/>
Total Revenues	2,186,301

Expenses:

Salaries and Benefits	634,551
Board Meeting Expenses	57,257
Contributions Paid	273,219
Depreciation	123,237
Insurance	71,388
Instructor Expenses	329,591
Kitchen Meals and Supplies	47,057
Miscellaneous	4,431
Printing and Postage	21,698
Professional Fees	41,763
Repairs and Maintenance	21,040
Security	7,536
Supplies and Expenses	118,964
Telecommunications	13,093
Terracon	16,893
Trainee	126,873
Utilities	40,477
Vehicle Expenses	72,091
Worker Resource Center	145,316
Unauthorized Transactions	(200,292)
	<hr/>
Total Expenses	1,966,183

Increase in Net Assets 220,118

Net Assets - Beginning of Year, As Restated 2,477,861

Net Assets - End of Year \$ 2,697,979

The accompanying notes are an integral part of this statement.

SOUTH CENTRAL LABORERS TRAINING AND APPRENTICESHIP FUND

STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS

FOR THE YEAR ENDED MAY 31, 2008

Cash Flows From Operating Activities:

Increase in Net Assets	\$ 220,118
Adjustments to Reconcile Increase in Net Assets to	
Net Cash Provided by (Used in) Operating Activities:	
Depreciation	123,237
Net Unrealized and Realized (Gains) Losses on Investments	7,012
Gain on Sale of Property and Equipment	(1,618)
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(231,483)
(Increase) Decrease in Prepaid Expenses	183
Net Cash Provided by Operating Activities	117,449

Cash Flows From Investing Activities:

Purchases of Property and Equipment	(66,364)
Proceeds from Sale of Property and Equipment	8,323
Proceeds from Sale and Maturity of Investments	894,000
Purchase of Investments	(914,405)
Net Proceeds from Maturities of Certificates of Deposit	395,024
Net Cash Provided by Investing Activities	316,578

Net Increase in Cash and Cash Equivalents	434,027
Cash and Cash Equivalents - Beginning of Year	260,567
Cash and Cash Equivalents - End of Year	\$ 694,594

The accompanying notes are an integral part of this statement.

SOUTH CENTRAL LABORERS TRAINING AND APPRENTICESHIP FUND

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2008

Note 1 - Summary of Accounting Policies -

Nature of Fund

The Fund is constituted for the purpose of training, educating, retraining or refresher training of employees and others in the skills of jobs which the Board selects and which it shall deem beneficial to the construction industry in Arkansas, Louisiana, Mississippi, Oklahoma and Texas.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not for-Profit Organizations. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Principles of Accounting

The Fund's policy is to prepare its financial statements on a modified cash basis that includes recording of depreciation and amortization on capitalized assets. Under this basis, revenues are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred. Consequently, accounts receivable due from contractors, amounts due vendors and suppliers are not included in the financial statements. However, receivables were recorded to reflect insurance proceeds related to the unauthorized transactions as discussed in Note 6. Amounts related to employee FICA and withholdings taxes that have not been deposited with the Internal Revenue Service but relate to compensation paid are also included in these financial statements. If expenditure results in assets having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset.

Investment in Marketable Securities

Investments in all debt and equity securities with readily determinable fair values are reported at their fair value as represented by the investment custodian, UBS Financial Services Inc. All other investments are reported at historical cost, if purchased, or, if contributed, at fair value at the date of contribution. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities accounts will occur in the near term and those changes could materially affect the amounts reported in the Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis.

Contractor Contribution Income

The Fund receives contributions from participating employers based on hours worked by the employees covered by the collective bargaining agreement.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Fund considers all cash and highly liquid short-term investments with an original maturity of three months or less as cash and cash equivalents.

Certificate of Deposit

The Fund records certificates of deposit with a maturity of three months or more at cost, which approximates fair market value.

Concentration of Credit Risk

At various times during the year, cash on deposit with one banking institution may exceed the maximum amount allowed by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash to minimize this potential risk.

Property and Equipment

Property and equipment for purchased assets are stated at cost. Donated property and equipment is stated at fair market value at the time of donation. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expenses as incurred. Upon sale or retirement of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in income.

Depreciation of buildings and equipment is provided over the following estimated useful lives of the respective assets on a straight-line basis:

<u>Assets</u>	<u>Estimated Lives</u>
Training Facilities	5 - 40
Furniture and Fixtures	5 - 7
Site Improvements	8 - 31
Training Equipment	5 - 7
Maintenance Equipment	5 - 7
Vehicles	5 - 10
Recreational Facilities	15

Tax Exempt Status

The Fund is a non-profit organization that has been recognized by the Internal Revenue Service as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, the financial statements have no provision for state and federal income taxes.

Retirement Benefits

The Fund contributes to the Laborers National Pension Fund, which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered. The plan provides an individual account for each participant, and specifies how contributions to the individuals' account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Fund contributed an amount equal to \$1.50 per hour for each eligible employee. The Fund contributed \$36,000 for the year ended May 31, 2008.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies only to fair value measurements already required or permitted by other accounting standards and does not impose requirements for additional fair value measures. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Fund does not expect the adoption of SFAS No. 157 to have a material impact on Statement of Assets, Liabilities and Net Assets - Modified Cash Basis and Statement of Revenue, Expenses and Changes in Net Assets - Modified Cash Basis.

Note 2 - Investments -

The cost and estimated fair value including gross unrealized gains and losses of the Fund's investments at May 31, 2008 were as follows:

<u>Investment Type</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Market Value</u>
Corporate Bonds	\$ 40,000	\$ -	\$ 481	\$ 39,519
U.S. Treasury Securities	22,000	1,327	-	23,327
U.S. Government Agencies	121,000	2,851	-	123,851
	<u>\$ 183,000</u>	<u>\$ 4,178</u>	<u>\$ 481</u>	<u>\$ 186,697</u>

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Statement of Revenues and Changes in Net Assets - Modified Cash Basis are as follows: realized losses of \$3,010 and the net decrease in unrealized gains at May 31, 2008, as compared to May 31, 2007 of \$4,002.

Note 3 - Fixed Assets -

Fixed assets and related accumulated depreciation at May 31, 2008 are as follows:

Property and Equipment:	
Training Facilities	\$ 1,444,255
Vehicles	420,124
Training Equipment	158,184
Furniture and Fixtures	122,043
Land	112,994
Site Improvements	76,650
Maintenance Equipment	57,475
Recreational Facilities	7,083
	<hr/>
	2,398,808
Less: Accumulation Depreciation	(1,538,455)
	<hr/>
Net Property and Equipment	\$ 860,353
	<hr/>

Depreciation expense at May 31, 2008 totaled \$123,237.

Note 4 - Lease Commitment -

The Training Fund leases office equipment under a noncancellable lease. The lease on the equipment is currently at \$1,875 per quarter plus an additional charge based on the number and type of copies made. The Fund renewed this lease on December 15, 2008. The lease calls for quarterly payments of \$2,328 for a period of five years. Additional charges will apply based on the number and type of copies made. The expense for the year ended May 31, 2008 totaled \$14,375.

Minimum lease payments required under the equipment lease are as follows:

<u>Year Ended May 31:</u>	
2009	\$ 8,406
2010	9,312
2011	9,312
2012	9,312
2013	9,312
2014	4,656
	<hr/>
	\$ 50,310
	<hr/>

Note 5 - Related Party Transactions -

South Central Laborers Training and Apprenticeship Fund is affiliated with Laborers - AGC Education and Training Fund (National Organization) through a participation agreement. The Fund remits 2 cents per man hour reported on contributions. The total amount expended during fiscal year ended May 31, 2008 was \$148,795. In addition to the participation agreement, the Fund has a training grant through Laborers - AGC Education and Training Fund for the NIEHS Hazardous Waste Training program. Revenue received under this training grant totaled \$119,430 for fiscal year ended May 31, 2008.

Note 6 - Unauthorized Transactions -

Subsequent to the fiscal year ended May 31, 2008, the Fund engaged Romolo and Associates to conduct an investigation of certain alleged misappropriations of assets. The scope of the investigation covered the period from October 1, 2004 through October 31, 2008. The investigation revealed fraudulent charges by a former employee to the Fund's credit card in the amount of \$491,706 for the period covered by the investigation. The matter has been turned over to the District Attorney's office. The Fund held a bond in the amount of \$500,000 to cover these types of losses. The amount of \$491,706 was received from the insurance company in March 2009. A receivable was recorded in the amount of \$430,162 in these financial statements which totaled the fraudulent charges which occurred during the current and prior years.

With the magnitude of the transactions and elaborate scheme used to conceal the fraudulent activities, the Fund was unable to remove the transactions from the specific expense accounts. Therefore, a contra expense account was recorded to remove the amount representing the current year transactions from the financial statements in the amount of \$200,292. Of the total amount of unauthorized funds, \$229,870 related to prior periods and was reclassified from unrestricted net assets at May 31, 2008 to a receivable as indicated in Note 7.

Note 7 - Prior Period Adjustments -

A prior period adjustment was made to correct the net assets for unauthorized expenditures as discussed in Note 6 and to adjust the accumulated depreciation to the correct method of depreciation as the straight line method for all assets as of May 31, 2007.

A recap of the prior period adjustments to the Unrestricted Net Assets is as follows:

Unrestricted Net Asset Balance at May 31, 2007, as Originally Stated	\$ 1,907,544
To Record a Receivable for Unauthorized Transactions	229,870
To Correct Accumulated Depreciation to Straight Line	<u>340,447</u>
Unrestricted Net Asset Balance at May 31, 2007, as Restated	<u><u>\$ 2,477,861</u></u>

SUPPLEMENTARY INFORMATION

SOUTH CENTRAL LABORERS TRAINING AND APPRENTICESHIP FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-MODIFIED CASH BASIS
FOR THE YEAR ENDED MAY 31, 2008

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenses</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through Louisiana Workforce Commission		
Recovery Workforce Training Program	14.218	\$ <u>689,769</u>
Total U.S. Department of Housing and Urban Development		689,769
<u>U.S. Department of Entergy</u>		
Passed Through Laborers- AGC Education and Training Fund		
NIEHS Hazardous Waste Worker Training Program	93.142	<u>65,997</u>
Total U.S. Department of Entergy		<u>65,997</u>
Total Federal Assistance		<u>\$ 755,766</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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October 19, 2009

To the Board of Trustees
South Central Laborers Training
and Apprenticeship Fund
Livonia, Louisiana

We have audited the financial statements of South Central Laborers Training and Apprenticeship Fund as of and for the year ended May 31, 2008, and have issued our report thereon dated October 19, 2009. We conducted our audit in accordance with the modified cash basis of accounting which is an other comprehensive basis of accounting and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered South Central Laborers Training and Apprenticeship Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting as items 2008-2 through 2008-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fund's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-2 through 2008-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central Laborers Training and Apprenticeship Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Cost as item 2008-1.

This report is intended for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hanniss T. Bourgeois, LLP

REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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October 19, 2009

Board of Trustees
South Central Laborers Training
And Apprenticeship Fund
Livonia, Louisiana

Compliance

We have audited the compliance of South Central Laborers Training and Apprenticeship Fund with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended May 31, 2008. South Central Laborers Training and Apprenticeship Fund's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of South Central Laborers Training and Apprenticeship Fund's management. Our responsibility is to express an opinion on South Central Laborers Training and Apprenticeship Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with the modified cash basis of accounting which is a other comprehensive basis of accounting; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Central Laborers Training and Apprenticeship Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on South Central Laborers Training and Apprenticeship Fund's compliance with those requirements.

In our opinion, South Central Laborers Training and Apprenticeship Fund complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended May 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-5 and 2008-6.

Internal Control Over Compliance

The management of South Central Laborers Training and Apprenticeship Fund is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Fund's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fund's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Fund's internal control. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-5 and 2008-6 to be material weaknesses, as defined above.

The Fund's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questions Costs. We did not audit the Fund's response and, accordingly, we express no opinion on it.

This report is intended for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hannis T. Bourgeois, LLP

SOUTH CENTRAL LABORERS' TRAINING AND APPRENTICESHIP FUND

SCHEDULE OF FINDINGS AND QUESTIONED COST

FOR THE YEAR ENDED MAY 31, 2008

(1) Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified.

- Material weakness(es) identified? ☒ Yes ☐ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ none reported

Noncompliance material to financial statements noted? ☐ Yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? ☐ Yes ☒ no

Identification of major programs:

CFDA Number

14.218

Name of Federal Program

Recovery Workforce Training Program

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.
- The Organization did not qualify as a low-risk auditee.

(2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*:

Significant deficiencies were noted as follows:

2008-1 - Failure to Complete Audit Report Within Six Months of the Close of the Fiscal Year (LSA-R.S. 24:513):

Finding:

During the current year, the Fund failed to comply with the above revised statute regarding timely completion of their audit report. The current audit was not completed and submitted to the Legislative Auditor's Office until October 2009.

Recommendation:

We recommend that all future reports be submitted timely as required by the revised statute mentioned above.

2008-2 - Payroll Transactions

Finding:

During the current year, we noted during our testing of the payroll system that nineteen of the forty payroll transactions tested did not have the proper supporting documentation (time sheets or the request for leave form). These payroll transactions related the 2007 calendar year and were for salaried employees. We were able to sight the W-2 forms for the employees whose timecards were unavailable. For four of the instructors selected, we obtained classes by instructor report and verified that the instructor taught classes during the period selected. The previous auditor for the year ended May 31, 2008 selected ten payroll transactions and indicated he received the supporting documentation, including timesheets and request for leave forms. Between the period of time from the issuance of the previous financial report dated October 7, 2008 and our report dated October 19, 2009, we were notified by management that the requested documents were misplaced.

Recommendation:

We recommend that the Fund implement a system to properly file payroll records, and maintain records for an appropriate time period.

2008-3 - Accounts Receivable

Finding:

During the current year audit, we noted the Fund did not have a system in place to properly track receivables on reimbursements of grant expenditures or from other revenue sources. As a result the Fund didn't have an outstanding receivables listing and was unable to follow up on the balances and determine if any additional information would be required to receive the funds. Approximately \$379,000 of additional revenue would have been recorded for the current year RWTP grant expenses if outstanding amounts had been followed up on. A portion of these funds have subsequently been received and the Fund is working with the grantor to collect the remaining balance.

Recommendation:

Even though the Fund operates on a cash basis, we recommend that the Fund develop and implement a system to properly track reimbursement request for funds received compared to amounts billed. This would enable the Fund to determine which invoices have amounts questioned and would then be able to provide to the grantor the appropriate supporting documentation for the questioned cost. In addition for the contractor contributions revenue, we recommend that a reconciliation of monthly contributions received be prepared and reconciled to the deposit listing and posting in the general ledger. This will ensure the Fund that all contributions received were properly recorded.

2008-4 - Lack of Segregation of Duties

Finding:

Based on the investigation performed and recommendations cited in the report done by Romolo and Associates, it was determined that one employee was responsible for receiving, paying and recording credit card transactions. This lack of segregation of duties enabled this employee to complete unauthorized credit card transactions. See Note 6 - Unauthorized Transactions for further details of dollar amounts and years affected.

Recommendation:

Although the small size of the Organization limits the extent of segregation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of transactions.

Various recommendations to improve the internal controls of the Fund were cited by Romolo and Associates. We recommend the Fund implement these recommendation in consideration with the points listed below.

One of the most critical areas is separation of duties in the payment and recording of cash transactions. No one employee should be able to receive invoices, prepare disbursements, authorize wire transfers for payment and post the payments to the general ledger system. The potential and actual result is the danger that errors could be made and not be detected. We recommend that someone else other than the bookkeeper, possibly the Administrator open the mail and review invoices and bank statements for accuracy. The bookkeeper should then prepare the disbursements and provide to the authorized signers with supporting documentation. The authorized signers should review the supporting documentation and note approval. Once the checks are signed, the authorized signer should mail these payments to the appropriate vendor.

In addition to the cash disbursement policies and procedures described above, we also recommend that the Fund review the policies and procedures in place regarding the number, use and authorization of credit cards.

In regards to the cash receipts procedures, we recommend that the Administrator make a listing of checks received and amounts prior to giving to the Bookkeeper for entry and deposit slip preparation. The list prepared by the Administrator can be used by to check the data entry into the general ledger. It can also be used along with the deposit slip by the Director to review the bank statements for accuracy.

(3) Findings Relating to Compliance and Other Matters:

See 2008-1.

(4) Findings and Questioned Cost Related to Federal Awards:

2008-5 - Eligibility and Screening Documentation (CFDA 14.218)

Finding:

While the grant agreement states that all participants are eligible within the program, it also states that screening of participants is one of the objectives of the grant.

During our review of a sample of twenty five participant files under the Recovery Workforce Training Program grant, we noted the following exceptions:

- Participant files selected for testing did not contain the WorkKeys Summary Test results
- Participant files selected for testing did not contain an Interview or Inquiry Form
- Documentation of drug screenings were not included in the file for eight participants
- Documentation of Income certification or income level were not maintained in three of the participant files
- Documentation of job placement was not maintained for four of the program graduates

The WorkKeys assessments is used to determine if the participant can read at the level required to successfully participate in the job skills training and to establish a baseline skills level used to track improvement. The WorkKeys testing is also required to qualify for the Louisiana WorkReady! certificates. The Fund did not issue any of these certificates.

A personal interview and participant application was to be used to assess and obtain personal data, education level, and information on construction experience and/or training. A personal interview was not documented; however, the Fund had the participants complete an application which detailed the aforementioned information.

Recommendation:

We recommend that the Fund establish a checklist for participant files and that a review of the participant files be implemented to ensure completion and accuracy of the file to remain in compliance with the requirements of the grant.

2008-6 Allowable Costs and Costs Principles- Disallowed Cost (CFDA 14.218)

Finding:

It was noted the sub-grantor of the above referenced grant, the Louisiana Workforce Commission (LWC), was performing a review of the billings submitted by the Fund. The review resulted in the sub-grantor determining certain cost to be disallowed under the grant for various reasons totaling \$7,877. Per review of the questioned cost summary prepared by LWC, the most frequent occurrence related to program travel. It was noted that payments were only issued for a portion of the billings which were received and approved for payment. As of the date of our report, approximately \$379,000 of grant billings for fiscal year May 31, 2008 had been submitted but had not been received at year end. A portion of these funds have subsequently been received and the Fund is working with the grantor to collect the remaining balance. As the Fund financial statements are presented in accordance with the modified cash basis of accounting, the receivable and related revenue are not reflected in the financial statements as of May 31, 2008.

Recommendation:

We recommend that it is imperative that management submit in a timely manner all requested documentation and follow up with the sub-grantor until this issue is resolved and all outstanding payments are received.

SOUTH CENTRAL LABORERS TRAINING AND APPRENTICESHIP FUND

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED MAY 31, 2008

None.

SOUTH CENTRAL LABORERS TRAINING & APPRENTICESHIP FUND

RANDY GUEHO
Administrator/Director

LIUNA TRUSTEES

STEVE FARNER
Chairman

JAMES ANDERSON
GLENN FARNER
STEVE FARNER
ROBERT PERNELL

EMPLOYER TRUSTEES

PRESTON EGGERS
Secretary

DAN HOFFMAN
JOHN MEEK
KEN NAQUIN
JOE TAYLOR

November 9, 2009

Celeste Viator
Hannis T. Bourgeois, LLP
2322 Tremont Drive
Baton Rouge, Louisiana 70809

Dear Ms. Viator:

Please find enclosed the responses to the findings of the FYE May 31, 2008 audit.

If you should need additional information, please do not hesitate to contact me.

Sincerely,



Charla Cole
Assistant Administrator/Director

Enclosure

cc: **Randy Gueho, Administrator/Director**
Steve Farner, Chairman
Preston Eggers, Secretary

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2008-1 Failure to Complete Audit Report Within Six Months of the Close of the Fiscal Year (LSA-R.S. 24:513)

SCLTAF will submit future reports timely as required by the revised statute mentioned above.

2008-2 Payroll Transactions

SCLTAF has corrected and implemented a proper filing system in relation to all payroll records.

2008-3 Accounts Receivable

SCLTAF has implemented a schedule for invoicing and reimbursements for the purpose of tracking monies owed and the time period owed. This schedule will include the date of an invoice, amount invoiced, amount allowed/disallowed, and date of payment. A review of payments received will be conducted on a 30-40 day period to insure payments are processed in a timely manner. If the payments are not being processed in a timely manner, the Fund administration will inform the Board of Trustees for further action.

SCLTAF has implemented a schedule for recording all contributions received and deposited to reconcile with the general ledger. This schedule will include the date contributions are received, the amount of the check, the date deposit is prepared, and the amount of the deposit. This schedule will allow for reconciliation at the time of each deposit to insure that all monies received is deposited.

2008-4 Lack of Segregation of Duties

SCLTAF has adopted and implement reference internal controls prepared by Joe Romolo as well as recommended procedures by HTB.

2008-5 Eligibility and Screening Documents (CFDA 14.218)

SCLTAF has implemented a checklist for participation files and a review process to ensure completion and accuracy of the files to be in compliance with the requirements of the grant.

2008-6 Allowable Costs and Costs Principles – Disallowed Cost (CFDA 14.218)

SCLTAF will submit in a timely manner all requested documentation and follow up with the sub-grantor until issues are resolved and all outstanding payments are received.